

ALLTEL CORPORATION

601 Pennsylvania Avenue, N.W.
Suite 720
Washington, DC 20004

202-783-3970
202-783-3982 fax

DOCKET FILE COPY ORIGINAL

ALLTEL

RECEIVED

OCT - 3 2001

October 3, 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

01-206

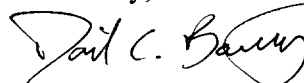
Re: 2001 Annual Access Tariff Filing
CC Docket No. 01-206
Order Designating Issues for Investigation

**Reply Comments of ALLTEL Communications, Inc. to the Opposition of
AT&T Corp. to the Direct Case of ALLTEL Telephone Systems, Inc.**

Dear Ms. Salas,

Enclosed for filing by ALLTEL Communications, Inc. ("ALLTEL") are an original and four copies of its Reply Comments in the proceeding referenced above. Should there be any questions regarding this matter, please contact the undersigned counsel.

Sincerely,



David C. Bartlett
ALLTEL Communications, Inc.
601 Pennsylvania Avenue, NW
Suite 720
Washington, D.C. 20004
(202) 783-3970

cc: Competitive Pricing Division
Qualex International

No. of Copies rec'd
List ABCDE

014

Before the
Federal Communications Commission
Washington, D.C. 20554

RECEIVED

OCT - 3 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
)

2001 ANNUAL ACCESS TARIFF FILINGS)
)
)
_____)

CC Docket No. 01-206

**REPLY COMMENTS OF ALLTEL COMMUNICATIONS, INC.
TO THE OPPOSITION OF AT&T CORP. TO
THE DIRECT CASE OF ALLTEL TELEPHONE SYSTEMS, INC.**

ALLTEL Communications, Inc.

David C. Bartlett
Assistant Vice President
Federal Regulatory Affairs
601 Pennsylvania Avenue
Suite 720
Washington, D.C 20004
(202) 783-3970

Its Attorney

October 3, 2001

Federal Communications Commission
Washington, D.C. 20554

In the Matter of)	
)	
2001 ANNUAL ACCESS TARIFF FILINGS)	CC Docket No. 01-206
)	
)	

**REPLY COMMENTS OF ALLTEL COMMUNICATIONS, INC.
TO THE OPPOSITION OF AT&T CORP. TO
THE DIRECT CASE OF ALLTEL TELEPHONE SYSTEMS, INC.**

Pursuant to the Commission's Order, DA 01-2033, released August 29, 2001,¹ ALLTEL Communications, Inc. ("ALLTEL") submits this Reply to AT&T Corp.'s ("AT&T") Opposition to the Direct Case of ALLTEL Telephone Systems, Inc.

I. INTRODUCTION.

AT&T continues to allege that ALLTEL's interstate local switching rates are overstated as a result of increases in the interstate dial equipment minute (DEM) factor. AT&T's analysis is predicated on a simplistic linear regression analysis coupled with a notably flawed interpretation of the Commission's rules and orders, particularly the *General Communication, Inc. v. ATU Telecommunications* order.² Furthermore, AT&T is incorrect in stating that ALLTEL "gerrymandered" interstate DEM allocations. In its Direct Case, ALLTEL has demonstrated that DEMs were calculated uniformly for all

¹ Order Designating Issues for Investigation, *2001 Access Charge Tariff Filings*, CC Docket No. 01-206, DA 01-2033 ("Designation Order"), (released August 29, 2001).

² *General Communications, Inc. v. Alaska Communications Sys. Holding, Inc.*, EB00-MD-016, Memorandum Opinion and Order, FCC 01-32, ("ATU Order"), paras. 43-44 (rel. Jan. 24, 2001).

ALLTEL study areas, regardless of whether local switching rates increased or decreased. AT&T remains focused on its core assumption that DEM and local switching rates can only decrease regardless of the myriad factors that drive access rates.

II. AT&T MISINTERPRETS AND MISSTATES THE COMMISSION'S RULES AND ORDERS RELATED TO DEM.

AT&T states in their Opposition pleading, “[t]he Commission correctly recognized that ALLTEL’s DEM factors have been decreasing, and according to a linear regression analysis should continue to decrease[.]”³ In its Designation Order, the Commission does not reach any foregone conclusion or recognition, it merely points out AT&T’s allegations relative to ALLTEL’s DEM.

AT&T then incorrectly applies the ATU Order to interlocal calls citing the general rule – that carriers must assume a one-to-one relationship between terminating and originating DEMs.⁴ The ATU Order deals only with intralocal and intraoffice calls; ALLTEL’s DEM calculations are for interlocal and interoffice calls and, as discussed in ALLTEL’s Direct Case, comply with Section 36.125 of the FCC’s rules.

III. AT&T’s REGRESSION ANALYSIS DOES NOT CONSTITUTE A VALID APPROACH FOR ESTIMATING DEM.

AT&T utilizes a regression analysis in an attempt to show that ALLTEL’s interstate DEM allocation factor is overstated. ALLTEL pointed out in its Direct Case that the calculation of DEM used in the 2001 annual access filing reflected a more accurate view of the traffic underlying the DEM. This improvement in the underlying

³ Opposition of AT&T Corp. to the Direct Case of ALLTEL Telephone Systems, Inc., *2001 Access Tariff Filings*, CC Docket No. 01-206, September 26, 2001 (“Opposition Pleading”), p. 6.

data would not be captured in a simple statistical analysis because the historic data upon which the analysis was based does not reflect the current data that supports ALLTEL's Direct Case. In addition, performing a regression analysis on DEM factors alone is not valid – the traffic data underlying the DEM calculation must be analyzed and adjusted as appropriate to account for changes in traffic.

Neither AT&T nor the Commission can rely on simplified statistical analyses to establish key elements necessary to establish access rates. The rules call for holding time studies that provide the basis for DEM calculation. Those holding time studies and the corresponding traffic data were submitted with ALLTEL's direct case and set forth in great detail the basis for ALLTEL's DEM calculation. AT&T cannot refute ALLTEL's DEM calculations without thoroughly analyzing the underlying data.

IV. AT&T INCORRECTLY INTERPRETED ALLTEL'S DEM FACTOR METHODOLOGY AND FCC RULES.

ALLTEL does not agree that all terminating interlocal minutes are equal to originating interlocal minutes. What AT&T fails to point out is that the terminating end of an interlocal call does not terminate, nor is it recorded, at the originating switch. When ALLTEL or any other LEC owns the terminating wire center, then the call is recorded and the actual minutes are used in the development of interstate DEM factors.

AT&T is mistaken that all terminating minutes are developed through a terminating to originating factor. 47 C.F.R. 36.125(a)(3) does not confirm, as stated in AT&T's Opposition Pleading, that a one-to-one terminating to originating rule continues to apply to interlocal minutes. The Commission does confirm that the rule continues to

⁴ Opposition Pleading, p. 8, fn. 6.

apply to all calls where one minute of use is *recorded* per minute of an originating interoffice or intraoffice call and one minute of use is *recorded* per minute of terminating interoffice or intraoffice call.

AT&T has misinterpreted how ALLTEL applied the Specific and General rules in the development of its interstate DEM factor. ALLTEL applies Specific rules in Section 36.125(a) to calculate actual terminating and originating minutes in interstate DEM calculation. ALLTEL utilizes General rules in Section 36.1 only when the jurisdiction of the minutes is unknown. This methodology was explained in detail in ALLTEL's Direct Case.⁵

AT&T's regression analysis of ALLTEL's 1995 through 1999 interstate DEM factor is flawed. AT&T incorrectly concludes from its regression analysis that ALLTEL's interstate DEM factors should decrease. AT&T's conclusions are incorrect because they selectively used data from only those study areas that had interstate DEM decreases. In fact, the majority of ALLTEL's study areas have realized interstate DEM factor *increases* in the 1995 through 1999 period. AT&T's selective analysis is misleading.

V. AT&T's ANALYSIS OF ALLTEL's LOCAL SWITCHING RATES IS FLAWED.

Much like AT&T's regression analysis of ALLTEL's DEM, its analysis of interstate local switching rates is equally inappropriate. AT&T fails to recognize that local switching support (LSS) became explicit in 1999 thereby lowering the local switching rate significantly for the smaller ALLTEL companies.

⁵ Direct Case of ALLTEL, *2001 Access Charge Tariff Filing*, CC. Docket No. 01-206, pp. 7-8.

As ALLTEL pointed out in its Direct Case, the calculation of a local switching rate is dependent on a variety of factors, i.e., investments, expenses, traffic and demand. AT&T cannot arbitrarily conclude that ALLTEL's local switching rates are improper because they do not decrease at levels corresponding to AT&T's expectations. Moreover, AT&T cannot base these conclusions on the predictions of an overly simplistic regression analysis. ALLTEL's local switching rates, even as set forth in its 2001 annual filing, are well below other rate-of-return carriers. While this is not sufficient reason alone to justify rate increases, in conjunction with a totally rate-neutral development calculus encompassing both rate increases and decreases, it indicates that ALLTEL has uniformly established local switching rates that are lawful. AT&T has focused entirely on the percentage increase in local switching rates while ignoring underlying factors such as volatility in traffic demand and investment levels that constitute those rates. Rate-of-return carriers have continually noted this dynamic in their access filings. While AT&T has continually sought ever declining access rates for maintaining profits in the long distance business they have ignored the changing cost and demand characteristics of the local exchange carriers. AT&T would be better served if it carefully examined the actual rates submitted by ALLTEL and recognized the tangible impacts of these rates on their interexchange business.

VI. CONCLUSION

In its Opposition Pleading, AT&T has put forth thin statistical analyses demonstrating that it has not adequately reviewed and analyzed the traffic data submitted with ALLTEL's Direct Case. ALLTEL's local switching rates were developed using prospective data that is reflective of the traffic, investment and expense levels anticipated

for the period July 2001 through June 2002. Even though rate increases were proposed for certain study areas, other ALLTEL companies had rate decreases. The rate changes, regardless of direction, represent the underlying costs and demand for each individual ALLTEL tariff filing entity. A request for rate reductions predicated on an anticipated trend is not sufficient reason to assume that the rates are unlawful and/or developed outside of the Commission's rules.

Again ALLTEL requests that the Commission find that ALLTEL's rates were developed in compliance with the Commission's rules and accordingly find them lawful and allow them to become effective.

Respectfully submitted,

ALLTEL Communications, Inc.

By:

A handwritten signature in dark ink, appearing to read "David C. Bartlett", is written over a horizontal line.

David C. Bartlett
Assistant Vice President
Federal Regulatory Affairs
601 Pennsylvania Avenue
Suite 720
Washington, D.C 20004
(202) 783-3970

Its Attorney

October 3, 2001